GRUMMAN DAILY EDITION
plane news
October 21, 1981

Labor suit hearing date set for Oct. 30

U.S. District Court Judge Jacob Mishler has set Friday, October 30, as the hearing date for the Labor Department's suit against the trustees of the Grumman pension plan.

The suit, filed on Monday, charges that the three trustees - Jack Bierwirth, Bob Freese, and Carl Paladino --failed to act prudently and with the plan's best interests in mind when they purchased 1,160,000 shares of Grumman stock. The Labor Department alleges that the trustees violated provisions of the Employee Retirement Income Security Act (ERISA) which state that pension plan assets may not be used to benefit the company sponsoring the plan.

In response to the Labor Department's action, the trustees denied yesterday that they had taken action inconsistent with their obligations under ERISA. They further stated that the recent actions by the plan with respect to Grumman stock had been taken solely in the interest of the participants and beneficiaries of the plan.

The Labor Department had asked Mishler to issue a temporary restraining order that would bar the trustees from buying or selling any Grumman stock or exercising their rights for shares they now hold. However, after Grumman's attorney agreed that the trustees would maintain the status quo until the matter can be settled, Mishler decided not to issue that order.

When LTV Corp. charged last week that the pension fund purchases violated ERISA, Mishler ruled that LTV, as an outside concern, had no legal right to make that allegation.

Because of the Department of Labor's action, LTV said that it would not appeal that ruling.

However, the Dallas company will appeal the preliminary injunction Mishler issued on October 14 which prohibited LTV from soliciting or purchasing any more Grumman shares. The hearing for that appeal is scheduled for October 28. LTV's lawyers must file briefs by today; Grumman's attorneys must file by October 26.

L.I. subcontractors keeping Grumman shares

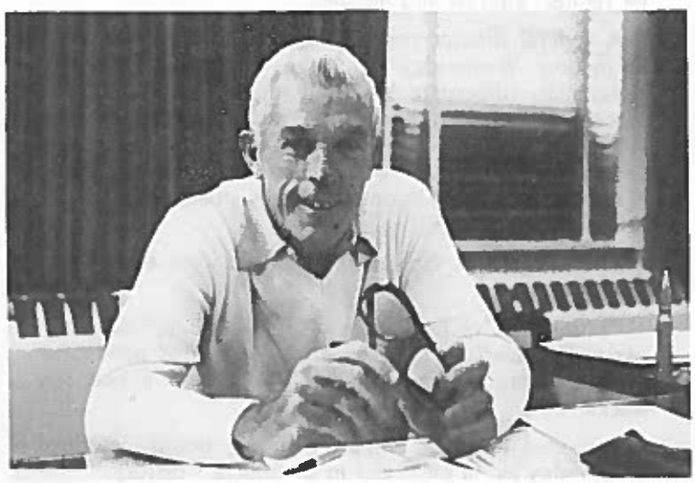
About 75 firms that do business with Grumman own 190,000 Grumman shares—and they don't plan on selling them to LTV.

James Kane, president of Kane Paper Corporation in Baldwin, is leading the subcontractors' efforts on Long Island. "We started tallying how much stock we owned and began buying additional shares the day after LTV made its announcement," says Kane, who's been doing business with Grumman since 1961.

Kane is concerned about LTV's debt structure should it succeed in acquiring Grumman. "Let's face it. Long Island is a high cost area...high school taxes, high property taxes, high energy cost...It isn't difficult to find a cheaper manufacturing location in the U.S."

"LTV's balance sheet will dictate that it must find a lower cost area than Long Island to do business," states Kane. "There would be changes made. I'm afraid that would mean moving parts of Grumman business off the Island. It's not immoral; it's the way you do business when you have a huge billion-dollar debt."

There are scores of firms on Long Island that are high-technology oriented, because their major customer is Grumman Aerospace. "If Grumman business starts to move off the Island, my firm and others will definitely be affected. Eventually, Long Island would become a big beach and picnic area—not the high technology business community it now is."



No way, LTV. *James Kane of Kane Paper Corporation is leading a group of about 75 Long Island subcontractors who will not tender their shares to LTV.*

Change in plans

Hearings into the LTV takeover attempt scheduled by the Select Small Business Committee have been postponed indefinitely. They had been scheduled to begin yesterday.

Dallas paper reports— Grumman: 'It's just like a family here'

The following article written by Anne Swardson appeared in the Monday, October 19, edition of *The Dallas Morning News.*

BETHPAGE, N.Y. — Alvin Fitterman was nervous.

The 17-year veteran of Grumman Corp.'s data processing division had never spoken before such a large and public an audience. He stammered, stopped and then apologized in the middle of a speech before a hearing held

October 20, 1981 — Grumman shares closed at 28 7/8 today; approximately 143,900 Grumman shares were traded.

last week by New York's attorney general to look into the proposed takeover of Grumman by Dallas-based LTV Corp.

But Fitterman gulped, cleared his throat and kept going.

"I came here to stand up and be counted," he said. "I'm concerned about what LTV will do with our pension plan. I'm concerned that some Grumman people will have to go to Texas. I'm concerned they'll sell some of the subsidiaries. We've all put our career and our hearts into this company, and they're interested in us and in Long Island."

Fitterman was one of six Grumman workers—more had wanted to come—testifying at the hearing. And they were only the tip of the iceberg.

The people who work for LTV's acquisition target, it appears from a visit to the plants of the Long Island aerospace contractor, display an unusually strong employee loyalty that has been an important factor in fighting off the unwanted bid.

The activism of Grumman's employees has added a touch of human drama to a bitter battle fought during the last few weeks on Wall Street and in the courts.

Grumman appears to have come close to winning its effort to stay independent of the Dallas conglomerate, whose Vought subsidiary in Grand Prairie manufactures jet fighter aircraft and missiles.

A federal district court judge rules in a preliminary injunction Wednesday that the merger of the two companies, through a $450 million tender offer for 70 percent of Grumman's common stock, appears to be a violation of antitrust laws. The same judge on Friday also denied an LTV motion to keep Grumman and its pension plan from buying additional company stock to keep it out of the hands of LTV.

The attitude at Grumman late last week was one of relief.

"I think we've held them off for a while," secretary Marion Pancari said as she patted a pile of newspaper clippings detailing the decision. "It's been a bad few weeks."

A notice on the company bulletin board described Wednesday as "a great day in Grumman's history."

LTV has appealed the decision and says it still wants to acquire Grumman. But even if it manages to succeed, it will face an almost militant group of employees that have gone all-out to keep it away. In the last three weeks, large numbers of Grumman's 20,000 Long-Island based workers have:

- Chipped in $1 each to buy $15,000 worth of full-page ads in several newspapers, including *The Dallas Morning News.*
- Hired an airplane to carry a banner around Bethpage exhorting chairman John C. Bierwirth to "beat 'em back, Jack"
- Bought additional stock in the company to keep it out of LTV hands, in sufficient numbers that a long line at the window of the company investment fund office kept it open hours past closing;
- Held a rally after work in early October that attracted 8,000 people to protest the takeover.

"The reaction of the employees (against the takeover) has been incredible," Bierwirth said in an interview, "I don't think I could continue to live on Long Island if I failed."

LTV officials have contended the efforts of Grumman employees, however sincere, are based on untruths from their bosses about what a takeover would mean for the company. They deny that any jobs would move from Long Island to Texas, and they point out that the $45 per share they are offering is substantially above Grumman's historical trading price of less than $25.

"I think they have a very loyal group of employees, but they're being whipped into a frenzy by the use of misinformation," Julian Scheer, LTV senior vice president said. "They've been lied to."

Responded Grumman assembly worker Philip Boyle, an 18-year veteran of the company: "It takes a long time to brainwash people. Longer than three weeks, anyway." LTV, he said, didn't understand when it made its offer on Sept. 23 that "it's just like a family here."

Grumman, which last year earned $30.7 million on sales of $1.76 billion, has been operating on Long Island for 51 years and is the area's largest employer. The average length of service for Grumman employees is 15 years, and its executives claim the turnover rate is one-third of the aerospace industry average. The company, unlike Vought, is not unionized, and employees say they like it that way.

"If there is a shortage of work in one area, you can go work in another area. You couldn't do that in a union shop," said Doug Kastel who helps assemble wings of F-14 Tomcat fighter jets.

Everywhere in the plant, signs of the takeover battle are obvious. Large black and white posters reproduce advertisements that Grumman management has placed in major newspapers over the last few weeks. Others illustrate the heavy debt load—more than $2 billion—that LTV would have to carry to buy Grumman, and display pictures of the employee rally.

More to the point, Grumman employees, through their investment and pension plans, own about 37 percent of Grumman's common stock. Although there are no official figures giving a national average for employee stock ownership, 37 percent "is very much on the high side, I would think," an official of the Securities Industries Association said.

Since LTV's tender offer is conditional on more than 50 percent of Grumman's shares being offered—if the court permits LTV to go forward with the tender—the employees have considerable weight in deciding the outcome of the offer.

More Grumman stock is held by suppliers and subcontractors in the Long Island area, and they also tend to oppose the sale.

One used-car dealer, in fact, advertised in a local paper that he would give three shares of Grumman, currently selling at about $29.50, to anyone who bought a car so that they could keep it from LTV.

"The relationship between Grumman and its suppliers is unique in the country," shareholder and supplier Daniel Berlin, chairman of Arkwin Industries of Westbury, N.Y., told the attorney general's hearing.

Bierwirth said a survey of about 2,000 stockholders, who each hold between 300 and 5,000 shares, indicated that at least 70 percent would refuse to tender them to LTV, if LTV wins on appeal and can go ahead and follow through its tender offer, Bierwirth estimated it would only get the large, institutionally held blocks of shares, or about 30 percent.

"I think we've won," Bierwirth said. And he added that the credit goes to the employees, not only because they permitted their pension fund to purchase stock in the face of LTV accusations that the fund would lose money if the bid were defeated, but because of the infectious nature of their opposition to LTV.

"They've made the outside stockholders sympathize," Bierwirth said. "And the reaction from the general Grumman population has been so strong that for me the sense of responsibility has been very heavy. It's much more than a boardroom contest."

PLANE NEWS/Daily Edition

Published to keep you informed about the unsolicited takeover attempt.

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